

# Financial Status Report

Prepared by the Finance Department



June 30, 2013

This report summarizes the City of Carlsbad's General Fund revenues and expenditures through June 30, 2013. It compares revenues and expenditures for Fiscal Year 2012-13 and Fiscal Year 2011-12. In addition, the financial status of the Water and Wastewater Enterprises are included. This report is for internal use only. The figures presented here are unaudited and have not been prepared in accordance with Generally Accepted Accounting Principles (GAAP).

## General Fund Balance

The books have been closed for the fiscal year, and the audit is underway. Interest income is shown on an amortized cost basis, and will be adjusted to market value as required under GAAP for presentation in the Comprehensive Annual Financial Report (CAFR). Revenues totaled \$124.8 million, which was \$7.5 million above recent projections. Expenditures and encumbrances at \$117.7 million were \$20.8 million below the budget for the year. Due to the City of Carlsbad's fiscal discipline, as reflected in the chart, the General Fund's unassigned fund balance is projected to grow by \$8.6 million for the year, for a total of just over \$69.9 million.

<b>GENERAL FUND FISCAL YEAR 2012-13 UNASSIGNED FUND BALANCE (unaudited)</b>	
	<b>Actual on a Budgetary Basis</b>
Unassigned Fund Balance 7/1/2012	\$61,306,898
Revenues/Transfers In*	124,774,023
Expenditures/Encumbrances/Transfers Out	(117,682,319)
Other Changes in Nonspendable, Committed and Assigned**	1,508,377
Unassigned Fund Balance 6/30/2013	\$69,906,979
* Interest income is shown on an amortized basis, and will be \$816,578 less when adjusted to fair market value as required under GAAP for financial statement reporting.	
** Nonspendable, committed and assigned fund balances include advances and additional amounts not available for spending.	

## General Fund Revenues



**Property Taxes (\$51.2 million)** – Property taxes reflected a 6 percent increase over Fiscal Year 2011-12. This increase was predominantly due to one-time revenues received by the city due to the state dissolving the former Carlsbad Redevelopment Agency. The former Agency was audited by an outside CPA firm, and any cash held by the Agency that was deemed "excess" through the audit had to be sent to the County of

San Diego. The city then received a portion of the "excess" funds received by the county from the city as additional property tax revenue.

In addition, according to the County of San Diego Assessor's Office, assessed values in Carlsbad decreased by 0.38 percent for Fiscal Year 2012-13. This was the fourth year in a row that Carlsbad's assessed values decreased from year to year. This reflected the continuing countywide slowdown in property valuation and new construction, as well as an increase in foreclosures. The decrease in this year's assessed values was due to a decrease in residential and industrial properties; commercial property values actually increased for the year.

The primary reasons that property taxes for the fiscal year increased by 6 percent as compared to the prior fiscal year were:

- Current taxes were up by \$473,000 or 1.1 percent due to a decrease in delinquencies.
- Aircraft taxes were down by \$73,000 or 4.4 percent due to one-time revenues received in the prior fiscal year.
- Supplemental taxes were up by \$96,000 or 20 percent due to an increase in home resales whereby the sales price of the home exceeded the previous assessed value.
- Payments for previous years' taxes were up by \$283,000 due to an increase in collections on past due tax bills and a reduction in retroactive property reassessments.
- Unitary taxes increased by \$139,000 due to a large increase in the assessed value of properties that are subject to unitary tax.
- Additional one-time property taxes received from the former Redevelopment Agency were up by \$2.1 million (see discussion above).



**Sales Taxes (\$29.9 million)** – For the year, sales tax revenues were \$1.1 million (or 4 percent) higher than the previous fiscal year. The higher revenues for the year were the result of a 0.7 percent decrease in sales tax revenues during the second calendar quarter of 2012, a 4.8 percent increase in sales tax revenues during the third calendar quarter of 2012, a 7.6 percent increase in sales tax revenues during the fourth calendar quarter of

2012, a 10.6 percent increase in sales tax revenues during the first calendar quarter of 2013, a 9.1 percent growth in the semi-annual “Triple Flip” payments, and the State Board of Equalization applying a positive 3.8 percent growth factor to the monthly advances for the second calendar quarter of 2013. The small decrease in sales tax revenues for the second calendar quarter was due to two prior year adjustments made in the quarter; the result of audits done by the State Board of Equalization.

For sales occurring in the first calendar quarter of 2013 (the most recent data available), key gains could be seen in new auto sales, chemical products, restaurants, and apparel stores. During the same period, key declines could be seen in building materials - wholesale, recreation products, office equipment, health and government. Excluding one-time payments received as the result of audit findings, payments for previous quarters, etc., actual sales tax transactions were up 6.9 percent for sales occurring in the 12 months ended March 31, 2013 over the same 12-month period last year.

The largest economic segments in the city continued to be new auto sales, restaurants, apparel stores, department stores and miscellaneous retail. Together, they generate 67 percent of the city's sales tax revenues.



**Transient Occupancy Tax (\$14.7 million)** – Transient Occupancy Taxes (TOT) for the fiscal year reflected an increase of \$1.8 million, 14 percent more than the previous year. The city's four largest hotels accounted for 35 percent of the increase. One of the larger hotels was undergoing renovations during a portion of the prior fiscal year. Higher occupancy and room rates throughout most of the city's other hotels also

contributed to the variance. Additionally, two new hotels opened up this year. In late June 2012, a 215 room Hilton beachfront hotel opened in the Ponto area of the southwest quadrant of the city, and in April 2013, the new 250 room Legoland hotel opened, while the 126 room hotel Quality Inn closed in November 2012 for renovations. It is due to reopen later in the year calendar. Year-to-date TOT figures represent taxes collected on hotel receipts through the month of June 2013.

Currently, there are 3,941 hotel rooms and 1,020 vacation rentals (timeshares) in the city. The average occupancy of hotel rooms over the most recent 12 months was 62 percent, one percentage point above last year's average.



**Franchise Taxes (\$5.1 million)** – Franchise taxes were generated from public utility sources such as San Diego Gas & Electric (SDG&E), trash collection franchises, fiber optic antenna systems and cable franchises conducting business within city limits. Year-to-date franchise taxes were up \$256,000 over the same period last year. Cable television franchise revenues (Time Warner and AT&T) actually decreased by 2.5 percent; however, a 4.9 percent increase in trash collection revenue, an increase in the quarterly

fiber optic antenna system franchise payments, and an 11.7 percent increase in the annual SDG&E franchise payment created the positive variance for the year.

SDG&E paid franchise taxes for the use of public land over which they transported gas and electric services. In addition, SDG&E paid an “in-lieu” franchise tax based on the value of gas and electricity transported through SDG&E lines, but purchased from another source. The majority of “in-lieu” taxes collected was from Cabrillo Power, the operator of the Encina Plant. The “in-lieu” tax was put in place to capture the franchise taxes on gas and electricity that is transported using public lands, but which would not otherwise be included in the calculations for franchise taxes. The franchise taxes paid by SDG&E were up in total by 11.7 percent. Net electricity sales were up by 1 percent, while net gas sales were down by 15 percent. The primary reason for the decrease in gas sales was a drop in the price of natural gas. The “in-lieu” taxes were up by 53 percent; a reflection of the amount of utilities transported through SDG&E lines but not purchased from SDG&E.



**Business License Tax (\$3.8 million)** – Business license revenues were up \$165,000 compared to Fiscal Year 2011-12. The increase was due almost entirely to an increase in renewal license fees. This indicated strong business volumes within the city’s existing businesses. One of the city’s largest companies realized significant growth over last year, and accounted for almost 50 percent of the increase. Additionally, one of the city’s larger businesses paid earlier this year than in the previous year.

There are currently 9,069 licensed businesses operating within the city, 214 more than the prior year. The majority of taxed businesses (6,365 businesses) are located in Carlsbad, with 2,533 of these businesses home-based.



**Interdepartmental Charges (\$3.9 million)** – Interdepartmental charges were \$106,000, or 3 percent higher than last year. These charges were generated through engineering services charged to capital projects (up 14.2 percent or \$134,000 due to timing differences), reimbursed work from other funds (down \$5,000) and miscellaneous interdepartmental expenses charged to funds outside the General Fund for services performed by departments within the General Fund (down 0.8 percent or \$23,000). The

small drop in miscellaneous interdepartmental expenses was due to the state dissolving the city’s redevelopment agency.



**Development Related Revenues (\$3.0 million)** – Development related revenues, which include building permits, planning fees, building department fees, and engineering fees, reflected a significant increase for the year.

Development related fees were paid by developers to cover the cost of reviewing and monitoring development activities, such as plan checks and inspections. Engineering plan check fees are one of the first fees paid during the initial stages of development. Some of the activity in June included the new desalination facility, the new La Costa Town Square shopping center, the new La Costa Town Center residential community, residential development at Robertson Ranch, the Ocean Street Residences condominium project, the Blue Condominiums project, and the Railyard Lofts residential project.

Another source of development related revenue is building permits, which were down 1 percent compared to last fiscal year. The decrease in building permit revenue was derived from the combination of a decrease in the valuation of new construction combined with an increase in the square footage of commercial/industrial permits issued netted

with a sizeable decrease in the number of residential building permits issued. The year-to-date valuation of new construction in the current fiscal year was just under \$172.7 million, while it was just over \$187.2 million in the previous fiscal year, a 7.8 percent decrease. In June, Carlsbad issued 22 permits for new homes, an increase from the three units permitted in May. June's issued permits will result in the construction of 12 homes in the northeast quadrant; all but one of the units will take shape in the master planned community of Robertson Ranch. Six homes will be constructed in the southeast quadrant; five units will be built as part of the Wescott neighborhood in La Costa Oaks North and a custom single-family home will also be constructed. Lastly four homes will be built in the southwest quadrant as part of the Rock Dove Homes. For the fiscal year, 310 residential permits were issued, as compared to 424 permits issued last fiscal year.

For the month of June 2013, no permits were issued in the city for new industrial, commercial or office space. Year-to-date there were 335,816 square feet of commercial/industrial permits issued, as compared to 218,884 square feet of commercial/industrial permits issued last fiscal year.



**Ambulance Fees (\$2.4 million)** – The city bills any individual who is transported in one of the city's ambulances. For Fiscal Year 2013, receipts from ambulance fees were down 12 percent or \$321,000 lower than last fiscal year. The number of billable transported patients and the amount billed for services for Fiscal Year 2012-13 (4,358) versus Fiscal Year 2011-12 (4,856), decreased significantly as reflected in the lower revenues for the year. The decrease in billable transports was due in part to fewer calls for response from

our neighboring cities.



**Income from Investments and Property (\$2.2 million)** – For the year, income from investments and property was down \$209,000 compared to the previous fiscal year.

Interest income was down for the year due to the net effect of a 7.7 percent increase in the average daily cash balance combined with a 30.7 percent decrease in the average yield on the portfolio for the year (a drop in the yield from 1.6504 percent last fiscal year to 1.1443 percent in the current fiscal year).

Income from property rentals was up by \$39,000 for the year primarily due to the net impact of an increase in cell site leases, pool rentals and an increase in facility rentals (former redevelopment assets), partially offset by a decrease in senior center and other city facility rentals.



**Other Revenue Sources (\$1.9 million)** – Other revenue sources increased by \$1.3 million and include revenues received by the city to offset the costs of special studies or projects for developers; reimbursements for damage done to city streets, right-of-ways, and other city-owned property; donations; reimbursement from the Gas Tax Fund for traffic signal maintenance; miscellaneous reimbursed expenses and refunds of prior year fees. A major factor in the increase in revenues in the current fiscal year was a

large refund received by the city in December. Due to a recent ruling by the California Supreme Court, administrative fees associated with the collection of the "Triple Flip" sales tax and VLF-in-lieu (property taxes in lieu of vehicle license fees) revenues were deemed to be unlawful. The city received a \$615,000 refund of prior year administrative fees collected on these revenues, creating the large variance from the prior fiscal year. In addition, in the prior fiscal year, there were two large prior year refunds made to two of the city's larger businesses. These two businesses had overpaid their business license taxes over the past three years, and these refunds represented the overpayment of the tax during that time period.





**Recreation Fees (\$1.6 million)** – Recreation fees were generated through instructional classes, camps, youth and adult sports, the triathlon, special events, parent participation preschool, senior programs, various aquatic programs, and lagoon permits. Parks & Recreation staff prioritized program offerings to meet the increase in demand for sports related fitness programs, all-day traditional camps, and parent participation preschool classes.



**Other Licenses and Permits (\$1.2 million)** – Other licenses and permits consisted of plumbing, electrical, mechanical, right-of-way, grading, conditional land use, lagoon, and other miscellaneous permit revenues. These permits usually increase/decrease along with increases/decreases in development activity.



**Other Intergovernmental Revenues (\$1.1 million)** – Other intergovernmental revenues included miscellaneous receipts received from the state or federal governments, as well as local school districts. Included in the \$1.1 million received this year were federal senior nutrition grants, state mandated cost reimbursements, reimbursements for Peace Officer Standards and Training (POST), an adult learning grant, a habitat restoration grant, Regional Auto Task Force funds, a fire JPA reimbursement for mobile data computers, one-time funds received from SANDAG for freeway emergencies, and law enforcement assistance.

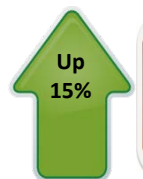


**Transfer Taxes (\$1.1 million)** – When real property is sold, the County Assessor's Office charges a transfer tax. The transfer tax rate in San Diego County is \$1.10 per thousand multiplied by the selling price of the property. The city receives 50 percent of the transfer tax charged for sales within the City of Carlsbad. The continuation of the rebound in the housing market led to the increased revenues for the year.



**Fines and Forfeitures (\$754,000)** – Fines and forfeitures represented fees collected for code violations, parking citations, overdue fines, and returned checks. The city recognized the revenues when the citizen pays the fine or forfeiture, as opposed to when the fine was imposed. The largest factor in the decrease in revenues was that there had been a significant decrease in the amount of revenues received from the traffic court for code violations for the year. This can partially be explained by the fact

that three motor officers retired in December 2012 and their positions have not yet been filled and the department went through a transition of staffing.



**Other Charges or Fees (\$670,000)** – Other charges and fees were generated through the sale of city documents such as agenda bills, blueprints and copies; general fees collected for false alarms, easements and agreements, weed abatement and kiosk signs; audio/visual rental fees; and general services such as mutual aid response, mall police services, emergency response services, reports, etc. This year's variance could be attributed to higher reimbursements received for mutual aid fire services provided by the

city, additional abandoned vehicle program revenues and higher revenues from the administration of the city's various financing districts.



**Homeowners' Exemptions (\$363,000)** – When property taxes are calculated on a particular parcel of property, the first \$7,000 of property value is excluded from the property tax calculation. The state then reimburses the city for this mandated exemption. This reimbursement is entitled Homeowners' Exemption revenue and is shown under intergovernmental revenues.



**Vehicle License Fees (\$55,000)** – Although the city was no longer receiving vehicle license fee (VLF) revenues from the state, the revenues received in the current fiscal year represented a retroactive clean-up payment received by the city for prior fiscal years.

## Expenditures

Total General Fund expenditures, encumbrances and transfers out for Fiscal Year 2012-13 equaled \$117.7 million. This was \$20.8 million less than the budget of \$138.5 million. These "savings" represent an accumulation of efficiency efforts achieved over the past 12 years. Expenditures are shown on a budgetary basis, which means they include all amounts actually spent during the year, plus any money encumbered at the end of the year. A portion of the \$20.8 million in unspent money will be carried over to the next fiscal year. These "savings" will be used for one-time projects to improve efficiencies in the city.

The City Council allocated \$1.5 million out of the General Fund budget for unanticipated emergencies or unforeseen program needs. As of June 30, 2013, \$939,738 had been authorized out of the contingency account, as shown in the chart below.

CONTINGENCY ACCOUNT USE OF FUNDS			
EXPLANATION	AMOUNT	DATE	RESOLUTION NUMBER
<b>ADOPTED BUDGET</b>	\$1,500,000		
<b>USES:</b>			
"In Kind" Assistance for the Cardiff and Carlsbad State Beaches "Christmas in July" Event	(110)	07/09/2012	City Manager
Winning Teams Grant for the Aviara Oaks Middle School	(2,750)	08/28/2012	2012-203
Winning Teams Grant for the Mission Estancia Elementary School	(1,500)	08/28/2012	2012-203
Winning Teams Grant for the Carlsbad Knights Baseball Team	(3,891)	08/28/2012	2012-204
Special Events Grant for the 9th Annual Carlsbad Music Festival	(10,000)	09/11/2012	2012-218
Special Events Grant for a Agua Hedionda Lagoon Foundation Event	(2,981)	11/15/2012	City Manager
Labor Negotiations	(513,232)	11/27/2012	Closed Session and 2012-256
Community Spirit Grant for the Carlsbad Christmas Bureau	(1,947)	12/17/2012	City Manager
Winning Teams Grant for the Xcalibur Dance Team	(5,500)	01/08/2013	2013-020
Winning Teams Grant for the Lancer Dancers	(5,940)	01/08/2013	2013-020
Winning Teams Grant for the La Costa Canyon Pop Warner Cheer Team	(7,000)	01/08/2013	2013-020
Utility Costs Associated with the Bio-Tech Incubator Program	(31,200)	01/29/2013	2013-029
Winning Teams Grant for the Carlsbad Pop Warner Cheer Team	(5,000)	01/31/2013	City Manager
Special Events Grant for the 6th Annual Beach Fest	(10,000)	04/30/2013	2013-092
North County Branding Program	(21,100)	05/14/2013	2013-116
Special Events Grant for the Southern California Special Olympics	(330)	05/15/2013	City Manager
Winning Teams Grant for New Children's Museum of San Diego's Odyssey of the Mind Team	(1,456)	05/20/2013	City Manager
Winning Teams Grant for Carlsbad High School Odyssey of the Mind Team	(1,801)		
Labor Negotiations	(18,000)	05/28/2013	2013-122
Higher Education Consulting Services	(110,000)	05/28/2013	2013-127
Labor Negotiations	(186,000)	06/18/2013	2013-159
<b>TOTAL USES</b>	<u>(939,738)</u>		
<b>AVAILABLE BALANCE</b>	<u><u>\$560,262</u></u>		

Detailed schedules of General Fund revenues and expenditures are provided on the following pages.

GENERAL FUND REVENUE COMPARISON					
	ESTIMATED REVENUE 2012-13	ACTUAL REVENUE 2011-12	ACTUAL REVENUE 2012-13	ACTUAL 2012-13 COMPARED TO ACTUAL 2011-12	
				DIFFERENCE	%
<b>TAXES</b>					
PROPERTY TAX	\$47,703,000	\$48,181,124	\$51,232,217	\$3,051,093	6.3%
SALES TAX	29,910,000	28,733,198	29,851,080	1,117,882	3.9%
TRANSIENT TAX	13,857,000	12,872,425	14,702,411	1,829,986	14.2%
FRANCHISE TAX	4,908,000	4,851,742	5,107,552	255,810	5.3%
BUSINESS LICENSE TAX	3,536,000	3,668,442	3,833,585	165,143	4.5%
TRANSFER TAX	1,086,000	924,807	1,058,343	133,536	14.4%
<b>TOTAL TAXES</b>	<b>101,000,000</b>	<b>99,231,738</b>	<b>105,785,188</b>	<b>6,553,450</b>	<b>6.6%</b>
<b>INTERGOVERNMENTAL</b>					
VEHICLE LICENSE FEES	55,000	52,838	55,196	2,358	4.5%
HOMEOWNERS EXEMPTIONS	370,000	368,465	362,631	(5,834)	-1.6%
OTHER	500,000	705,705	1,106,327	400,622	56.8%
<b>TOTAL INTERGOVERNMENTAL</b>	<b>925,000</b>	<b>1,127,008</b>	<b>1,524,154</b>	<b>397,146</b>	<b>35.2%</b>
<b>LICENSES AND PERMITS</b>					
BUILDING PERMITS	577,000	878,316	869,357	(8,959)	-1.0%
OTHER LICENSES & PERMITS	640,000	973,543	1,175,489	201,946	20.7%
<b>TOTAL LICENSES &amp; PERMITS</b>	<b>1,217,000</b>	<b>1,851,859</b>	<b>2,044,846</b>	<b>192,987</b>	<b>10.4%</b>
<b>CHARGES FOR SERVICES</b>					
PLANNING FEES	213,000	324,097	567,439	243,342	75.1%
BUILDING DEPT. FEES	457,000	695,988	747,286	51,298	7.4%
ENGINEERING FEES	499,000	758,760	768,103	9,343	1.2%
AMBULANCE FEES	2,763,000	2,689,979	2,368,600	(321,379)	-11.9%
RECREATION FEES	1,582,000	1,554,054	1,580,385	26,331	1.7%
OTHER CHARGES OR FEES	594,000	584,147	670,379	86,232	14.8%
<b>TOTAL CHARGES FOR SERVICES</b>	<b>6,108,000</b>	<b>6,607,025</b>	<b>6,702,192</b>	<b>95,167</b>	<b>1.4%</b>
<b>FINES AND FORFEITURES</b>	<b>858,000</b>	<b>842,846</b>	<b>754,345</b>	<b>(88,501)</b>	<b>-10.5%</b>
<b>INCOME FROM INT &amp; PROPERTY</b>	<b>2,608,000</b>	<b>2,380,319</b>	<b>2,170,981</b>	<b>(209,338)</b>	<b>-8.8%</b>
<b>INTERDEPARTMENTAL CHARGES</b>	<b>3,727,000</b>	<b>3,751,783</b>	<b>3,857,961</b>	<b>106,178</b>	<b>2.8%</b>
<b>OTHER REVENUE SOURCES</b>	<b>855,000</b>	<b>647,722</b>	<b>1,924,356</b>	<b>1,276,634</b>	<b>197.1%</b>
<b>TRANSFERS IN</b>	<b>0</b>	<b>10,000</b>	<b>10,000</b>	<b>0</b>	<b>0.0%</b>
<b>TOTAL GENERAL FUND</b>	<b>\$117,298,000</b>	<b>\$116,450,300</b>	<b>\$124,774,023</b>	<b>\$8,323,723</b>	<b>7.1%</b>



GENERAL FUND EXPENDITURE STATUS BY DEPARTMENT				
DEPT DESCRIPTION	TOTAL BUDGET FY 2012-13	AS OF 06/30/13		
		ACTUAL ON A BUDGETARY BASIS (b)	UNDER/ (OVER) BASIS (c)	% UNDER/ (OVER) BUDGET
<b>POLICY/LEADERSHIP GROUP</b>				
CITY COUNCIL	\$390,584	\$354,428	\$36,156	9.3%
CITY MANAGER	1,931,145	1,825,360	105,785	5.5%
COMMUNICATIONS	905,480	874,399	31,081	3.4%
CITY CLERK	174,900	101,502	73,398	42.0%
CITY ATTORNEY	1,453,563	1,286,855	166,708	11.5%
CITY TREASURER	215,167	185,599	29,568	13.7%
RECORDS MANAGEMENT	889,075	701,038	188,037	21.1%
<b>TOTAL POLICY/LEADERSHIP</b>	<b>5,959,914</b>	<b>5,329,181</b>	<b>630,733</b>	<b>10.6%</b>
<b>INTERNAL SERVICES</b>				
FINANCE	4,238,924	3,805,076	433,848	10.2%
HUMAN RESOURCES	2,797,680	2,503,597	294,083	10.5%
PROPERTY AND ENVIRONMENTAL MANAGEMENT	6,363,878	5,647,246	716,632	11.3%
<b>TOTAL INTERNAL SERVICES</b>	<b>13,400,482</b>	<b>11,955,919</b>	<b>1,444,563</b>	<b>10.8%</b>
<b>PUBLIC SAFETY</b>				
POLICE	28,545,998	27,817,859	728,139	2.6%
FIRE	18,137,272	17,964,450	172,822	1.0%
<b>TOTAL PUBLIC SAFETY</b>	<b>46,683,270</b>	<b>45,782,309</b>	<b>900,961</b>	<b>1.9%</b>
<b>COMMUNITY DEVELOPMENT</b>				
COMMUNITY AND ECONOMIC DEVELOPMENT	9,544,679	8,009,637	1,535,042	16.1%
HOUSING AND NEIGHBORHOOD SERVICES	630,468	528,133	102,335	16.2%
<b>TOTAL COMMUNITY DEVELOPMENT</b>	<b>10,175,147</b>	<b>8,537,770</b>	<b>1,637,377</b>	<b>16.1%</b>
<b>COMMUNITY SERVICES</b>				
PARKS AND RECREATION	14,911,991	12,690,807	2,221,184	14.9%
LIBRARY AND ARTS	11,475,422	10,394,292	1,081,130	9.4%
<b>TOTAL COMMUNITY SERVICES</b>	<b>26,387,413</b>	<b>23,085,099</b>	<b>3,302,314</b>	<b>12.5%</b>
<b>PUBLIC WORKS</b>				
TRANSPORTATION	10,781,669	9,582,178	1,199,491	11.1%
UTILITIES	312,550	270,794	41,756	13.4%
<b>TOTAL PUBLIC WORKS</b>	<b>11,094,219</b>	<b>9,852,972</b>	<b>1,241,247</b>	<b>11.2%</b>
<b>NON-DEPARTMENTAL &amp; CONTINGENCY</b>				
OTHER NON-DEPARTMENTAL (a)	13,162,082	2,108,787	11,053,295	84.0%
TRANSFERS OUT	11,043,854	11,030,282	13,572	0.1%
CONTINGENCY	560,262	0	560,262	100.0%
<b>TOTAL NON-DEPT &amp; CONTINGENCY</b>	<b>24,766,198</b>	<b>13,139,069</b>	<b>11,627,129</b>	<b>46.9%</b>
<b>TOTAL GENERAL FUND</b>	<b>\$138,466,643</b>	<b>\$117,682,319</b>	<b>\$20,784,324</b>	<b>15.0%</b>
(a) Other non-departmental includes technology innovation, property tax administration fees, assessment district administration, citywide litigation expenses, and other items not attributed to a specific department.				
(b) Actual expenditures on a budgetary basis include encumbrances and exclude non-budgeted items.				
(c) These "savings" represent an accumulation of efficiency efforts achieved over the past twelve years.				

## Water Enterprise

WATER OPERATIONS FUND JUNE 30, 2013					
	BUDGET FY 2012-13	YTD 06/30/2012	YTD 06/30/2013	CHANGE FROM YTD 2011-12 TO YTD 2012-13	PERCENT CHANGE
<b>REVENUES:</b>					
WATER DELIVERY	32,050,000	29,469,541	33,913,105	4,443,564	15.1%
MISC. SERVICE CHARGES	242,000	271,640	301,902	30,262	11.1%
PROPERTY TAXES	2,955,000	2,748,527	2,931,276	182,749	6.6%
FINES, FORFEITURES & PENALTIES	280,000	301,394	334,763	33,369	11.1%
OTHER REVENUES	374,800	418,499	2,108,829	1,690,330	403.9%
<b>TOTAL OPERATING REVENUE</b>	<b>35,901,800</b>	<b>33,209,601</b>	<b>39,589,875</b>	<b>6,380,274</b>	<b>19.2%</b>
<b>EXPENSES:</b>					
STAFFING	3,438,870	3,397,947	3,083,424	(314,523)	-9.3%
INTERDEPARTMENTAL SERVICES	1,999,700	1,961,028	1,969,162	8,134	0.4%
PURCHASED WATER	16,560,200	14,855,277	17,283,027	2,427,750	16.3%
MWD/CWA FIXED CHARGES	5,625,000	5,044,732	5,516,572	471,840	9.4%
OUTSIDE SERVICES/MAINTENANCE	1,020,093	472,041	658,218	186,177	39.4%
DEPRECIATION/REPLACEMENT	4,193,000	4,158,226	4,490,873	332,647	8.0%
CAPITAL OUTLAY	0	0	4,165	4,165	0.0%
MISCELLANEOUS EXPENSES	2,271,060	907,389	2,010,527	1,103,138	121.6%
<b>TOTAL OPERATING EXPENSES</b>	<b>35,107,923</b>	<b>30,796,640</b>	<b>35,015,968</b>	<b>4,219,328</b>	<b>13.7%</b>
<b>OPERATING INCOME/(LOSS)</b>	<b>793,877</b>	<b>2,412,961</b>	<b>4,573,907</b>	<b>2,160,946</b>	<b>89.6%</b>

**Revenues**

- The increase in water delivery revenues was the result of a combination of a 5 percent increase in the number of water units sold and an average 8 percent increase in water rates charged to our customers (water sales and delivery charges) that went into effect in January 2013.
- The addition of 2,541 water customers (new account charges) over the past year impacted miscellaneous service charges.
- The increase in other revenues was the result of higher service scrap/recycle sales, service installation fees, interest earnings and a reimbursement received from the prior Marbella lawsuit.

**Expenses**

- Lower staffing expenses were the result of a change in the methodology used to accrue payroll into the prior fiscal year from the implementation of a new payroll system as well as a 1.9 FTE (full-time equivalent) reduction in headcount.
- Though the amount of purchased water increased by 7.1 percent from the prior fiscal year, an 8 percent rate increase in the cost of water purchased from the SDCWA was the primary driver in this variance.
- The replacement of a gate valve on Navarra Drive, the installation of gate valves at the intersection of Celinda Drive and Sara Way, the installation of surveillance equipment at Maerkle Reservoir, and CMWD yard asphalt and concrete maintenance created the variance in outside services/maintenance.
- An increase in meter purchases for the Automated Meter Reading (AMR) program led to higher miscellaneous expenses. The program was temporarily suspended last year at this time.

**Summary**

Water revenue came in significantly higher than estimated for the fiscal year due to higher water sales and a reimbursement received from the former Marbella lawsuit. Operating expenses came in higher for the year due to an increase in water purchases (an increase in both quantity and the cost of purchased water), the continuation of the AMR program and higher depreciation charges related to newly acquired infrastructure and equipment.

## Wastewater Enterprise

WASTEWATER OPERATIONS FUND					
JUNE 30, 2013					
	BUDGET FY 2012-13	YTD 06/30/2012	YTD 06/30/2013	CHANGE FROM YTD 2011-12 TO YTD 2012-13	PERCENT CHANGE
<b>REVENUES:</b>					
CHARGES FOR CURRENT SERVICES	11,550,000	10,936,995	11,770,120	833,125	7.6%
INTEREST	15,000	19,864	27,989	8,125	40.9%
OTHER REVENUES	325,000	319,755	292,838	(26,917)	-8.4%
<b>TOTAL OPERATING REVENUE</b>	<b>11,890,000</b>	<b>11,276,614</b>	<b>12,090,947</b>	<b>814,333</b>	<b>7.2%</b>
<b>EXPENSES:</b>					
STAFFING	2,229,202	1,938,753	1,975,051	36,298	1.9%
INTERDEPARTMENTAL SERVICES	1,092,033	1,061,865	1,081,458	19,593	1.8%
ENCINA PLANT SERVICES	3,288,527	2,936,041	3,073,969	137,928	4.7%
OUTSIDE SERVICES/MAINTENANCE	768,955	247,517	486,127	238,610	96.4%
DEPRECIATION/REPLACEMENT	3,630,000	3,670,862	4,236,291	565,429	15.4%
CAPITAL OUTLAY	3,592	12,099	30,631	18,532	153.2%
MISCELLANEOUS EXPENSES	484,325	502,592	495,141	(7,451)	-1.5%
<b>TOTAL OPERATING EXPENSES</b>	<b>11,496,634</b>	<b>10,369,729</b>	<b>11,378,668</b>	<b>1,008,939</b>	<b>9.7%</b>
<b>OPERATING INCOME/LOSS</b>	<b>393,366</b>	<b>906,885</b>	<b>712,279</b>	<b>(194,606)</b>	<b>-21.5%</b>

### Revenues



- The increase in charges for current services was primarily the result of an additional 2,418 new residential account fees over the past 12 months, as well as a 2 percent rate increase that went into effect in January 2013.
- Interest revenue was the combination of interest earnings on the cash balance in the fund as well as earnings on the debt service reserve. Although the earnings on the debt service reserve were relatively flat for the year, a large increase in the average daily cash balance in the fund partially offset by a 30.7 percent decrease in the yield on the Treasurer's portfolio for the year created this year's variance.
- The receipt of a one-time catch-up payment for power plant discharge fees in the prior fiscal year led to lower other revenues compared to last fiscal year.

### Expenses



- An increase in staffing expenses was the result of staff vacancies at this time in the prior fiscal year that are now filled.
- Encina plant and depreciation expenses were higher than the prior fiscal year due to a prior "fiscal year true-up" payment made in the current fiscal year.
- The increase in outside services/maintenance costs was the result of sewer cleaning and maintenance activities and related environmental impact reporting services, as well as costs associated with the North Batiquitos Lagoon spill.
- An increase in capital outlay was related to the purchase of a truck mounted hydraulic crane used to pull pumps out of deep wet wells.
- A reduction in the purchase of parts and pumps for sewer lift station repairs/maintenance and rebateable arbitrage paid to the Federal government in the prior fiscal year led to lower miscellaneous expenses.

### Summary

Wastewater revenues came in slightly higher than budget for the year. Operating expenses came in slightly under budget due to a reduction in staffing at the Enterprise and the Encina facility, and a reduction in outside services and maintenance. However, these expense savings were partially offset by one-time adjustments made to match Encina's June 30, 2012 audited financial statements.